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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 002444

SIPDIS

STATE FOR SA/INS, DS/IP/SA, DS/DSS/OSAC, DS/T/ATA AND S/CT
FOR AMB. COFER BLACK; LONDON FOR POL/GURNEY; NSC FOR MILLARD

E.O. 12958: DECL: 12/14/2013

TAGS: [ASEC](#) [PTER](#) [CASC](#) [ECON](#) [NP](#) [BXP](#)

SUBJECT: NEPAL: MAOIST EXTORTION DEMAND AGAINST COCA-COLA
FACILITY

REF: A. A) KATHMANDU 2042

[B](#). B) KATHMANDU 1822

[C](#). C) KATHMANDU 2429

[D](#). D) KATHMANDU 2332

Classified By: DCM Robert K. Boggs for reasons 1.5 (B,D)

[1](#)1. (C) Summary. According to NN Singh, General Manager for Coca-Cola in Nepal, the Coca-Cola bottling plant in Bharatpur, Chitwan District, received an extortion letter from the Maoists on December 11 followed by a telephoned deadline of December 15. During a follow-up meeting on December 15 with Embassy officials, Singh reported that because of a Maoist called strike (bandh) in the area, the factory closed early on December 15. Coca-Cola's Chief Security Officer in Nepal has contacted the Army and the Chief District Office with information on the extortion demand. Embassy officials advised that payments to the Maoists would violate U.S. law and that passive postures taken in the past might not stop the demands. Embassy officials suggested that Coca-Cola consider a media initiative to highlight the economic costs of Maoist extortion. End Summary.

[1](#)2. (C) According to NN Singh, General Manager for Coca-Cola in Nepal, the Coca-Cola bottling plant in Bharatpur, Chitwan District received an extortion letter on December 11 demanding NRs 1 million (equivalent to USD 13,500). During a follow-up meeting on 15 December with RSO, Econoff and the Embassy's Senior Security Investigator, Singh indicated that he had received a follow-up phone call earlier in the day indicating that Coca-Cola had until 1700--or another three and a half hours--to make a decision. The phone call, traced by the Army to a local public phone, indicated that if Coca-Cola did not pay the demand, it would "face the same fate of Surya Nepal" (a local tobacco company). (Note: Last week, Surya Nepal reportedly received a extortion letter that the Maoists copied to the Kathmandu Post, a local English newspaper. The Kathmandu Post published an article about the extortion demand, which alleged that the Maoists demanded NRs. 5 million (equivalent to USD 67,000) by 26 December or the factory and its employees would face "dire consequences." On December 16, Surya Nepal's Managing Director confirmed the news story. Despite numerous telephone calls from the Maoists reiterating their demands, the Maoists have not yet followed through with their threats. End Note.)

[1](#)3. (C) Singh mentioned that Col. Mohan Singh, Coca-Cola's Chief Security Officer in Nepal, has passed information to the local Army commander and to the Chief District Office (CDO). Because of a Maoist-called strike (bandh) in the Terai today, many local government offices are closed. Singh requested that the RSO pass this information to his contacts in the Nepali police. RSO indicated that he would share the information, but noted that the Embassy cannot guarantee security to Coke's facilities and that GON resources are stretched in this area already. Singh acknowledged the Embassy's and GON's limitations and noted that the Embassy's past efforts had led to increased security around the plant.

[1](#)4. (C) Singh reluctantly reported that Coca-Cola distributors in Butwal recently paid the Maoists. The head of the distributorship paid a total of NRs 700,000 (equivalent to USD 9,500).

[1](#)5. (SBU) Embassy officials noted that since the addition of the Maoists to the U.S. terrorism finance list on October 31, payments to them are prohibited by U.S. law. Econoff noted that a U.S. affiliated company (viz., Colgate Palmolive) was in a similar predicament recently and decided to close temporarily until the Maoists withdrew their demand (ref A). Econoff also pointed out that a public media campaign might be an option. The media campaign could highlight:
-- Coca-Cola's global policy against the payment of extortion and Coca-Cola's history in Nepal;
-- Possible consequences of continued Maoist threats against Coca-Cola's facilities and investment in Nepal;
-- The trickle-down effect on the 400 Nepalese directly employed and the 30,000 indirectly employed by Coca-Cola; and,
-- The good public relations work that Coca-Cola does in the area of employee pensions and benefits, free health care for

its workers, and its new high school scholarship program for young women in rural Nepal.

16. (C) Singh stated that he had e-mailed Coca-Cola's regional office in Bangkok about the demand on December 15 and that it is likely that Bangkok will contact Coke's headquarters in Atlanta. Singh remarked that Coke HQ in Atlanta has a tendency to contact Department of State's security offices in Washington when threats to its investment are made. Finally, Singh stated that he would keep the Embassy informed of the status of this issue.

17. (C) This is not the first extortion demand that Coca-Cola has received (ref B) and weathered successfully. The previous demand had a "firm deadline" of September 30, which reportedly was not paid by Coca-Cola. Following this demand the Embassy unofficially recommended that Singh and two of his top managers leave Nepal over the Nepalese holidays of Dasain and Tihar (in September/October) until the situation calmed down. During the meeting on December 15, RSO mentioned that if Singh had personal safety concerns perhaps he should consider another extended holiday away from Nepal. Singh remarked that he did not view the recent demand as a personal threat, rather it was a threat to Coca-Cola's viability in Nepal.

18. (C) Comment. Extortion by the Maoists are at an all-time high. This underscores the need for Anti-Extortion Investigative training, which Post requested in ref C. Per ref D, it appears that the Coca-Cola facility in Bharatpur is becoming a more visible target for the Maoists. (Note: Singh mentioned that Coke makes an annual profit of only USD 2 million from its activities in Nepal, so in economic terms if the threats continue, Coke might close operations. End Note.) No one has attempted a media counter-attack against the Maoists. If Coca-Cola's headquarters generates the press release, it might actually reinforce to the Maoists that Singh and Coca-Cola Nepal have no say in the matter.

19. (C) Comment Continued. Although previous extortion demands have been made by the Maoists (ref B) and have not been acted upon, given the low profit margin, growing insecurity and increased demands, it appears that Coca-Cola's options are shrinking. If the investment climate does not improve in the near future, Coca-Cola might decide to close operations altogether. In the end, if the Maoists continue to threaten Coca-Cola's investment in Nepal, the real losers could well be the Nepalese people and economy. End Comment.

MALINOWSKI